

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND**  
**INDEPENDENT AUDITORS' LIMITED REVIEW REPORT**  
**FOR THE THREE MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2015**

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD AND YEAR ENDED DECEMBER 31, 2015**

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**INDEPENDENT AUDITORS' REVIEW REPORT TO THE SHAREHOLDERS OF  
THE COMPANY FOR COOPERATIVE INSURANCE  
(A SAUDI JOINT STOCK COMPANY)**

**SCOPE OF REVIEW**

We have reviewed the accompanying interim statement of financial position of The Company for Cooperative Insurance (A Saudi Joint Stock Company) (the "Company") as at 31 December 2015, and the related interim statements of income – insurance operations and accumulated surplus, interim statements of comprehensive income for insurance operations and shareholders for the three month and year then ended, the related interim statements of changes in shareholders' equity and interim statements of cash flows for insurance operations and shareholders for the year then ended, and the related notes which form an integral part of these interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34) and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the auditing standards generally accepted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**CONCLUSION**

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with IAS 34.

**EMPHASIS OF A MATTER**

We draw attention that these interim condensed financial statements are prepared in accordance with IAS 34 and not in accordance with the Standard on Interim Financial Reporting issued by SOCPA.

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Rabia' II 7, 1437  
January 17, 2016

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF FINANCIAL POSITION**

	Notes	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
		SR '000	
<b><u>ASSETS - INSURANCE OPERATIONS</u></b>			
Due from Shareholders' operations		-	46,139
Property and equipment, net		296,222	273,860
Investment property		9,861	9,861
Investments in associates		13,602	9,558
Available for sale investments	4(i)	3,212,756	2,869,000
Prepaid expenses and other assets		527,591	429,017
Deferred policy acquisition costs		209,244	173,633
Reinsurers' share of outstanding claims	5	1,495,909	1,200,247
Reinsurers' share of unearned premiums		629,974	443,940
Receivables, net	3	1,943,579	1,529,113
Cash and cash equivalents		761,868	700,550
<b>Total assets - Insurance operations</b>		<b>9,100,606</b>	<b>7,684,918</b>
<b><u>ASSETS – SHAREHOLDERS</u></b>			
Due from Insurance operations		46,326	-
Investments in associates		80,402	79,843
Available for sale investments	4(ii)	2,163,964	2,047,555
Accrued investment income		14,959	5,607
Statutory deposit	8	100,000	100,000
Cash and cash equivalents		62,855	20,583
<b>Total assets – Shareholders</b>		<b>2,468,506</b>	<b>2,253,588</b>
<b>TOTAL ASSETS</b>		<b>11,569,112</b>	<b>9,938,506</b>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF FINANCIAL POSITION (continued)**

	Notes	December 31, 2015 (Unaudited)	December 31, 2014 (Audited)
		SR '000	
<b><u>LIABILITIES AND SURPLUS – INSURANCE OPERATIONS</u></b>			
<b>Liabilities - Insurance operations:</b>			
		46,895	46,895
		1,394,844	1,296,263
		46,326	-
		13,467	16,340
		11,211	11,211
	5	2,850,367	2,662,501
		51,024	41,554
		4,233,561	3,290,900
		502,579	313,900
<b>Total liabilities - Insurance operations</b>		<b>9,150,274</b>	<b>7,679,564</b>
<b>Surplus - Insurance operations:</b>			
		53,281	-
	4(i)	(102,949)	5,354
<b>Total liabilities and surplus - Insurance operations</b>		<b>9,100,606</b>	<b>7,684,918</b>
<b><u>LIABILITIES AND EQUITY – SHAREHOLDERS</u></b>			
<b>Shareholders' liabilities:</b>			
		-	46,139
		1,689	1,434
		5,643	5,014
		152,106	124,626
<b>Total liabilities – Shareholders</b>		<b>159,438</b>	<b>177,213</b>
<b>Shareholders' equity:</b>			
	6	1,000,000	1,000,000
	9	883,465	763,779
	4(ii)	(56,861)	163,874
		482,464	148,722
<b>Total Shareholders' equity</b>		<b>2,309,068</b>	<b>2,076,375</b>
<b>Total Shareholders' liabilities and equity</b>		<b>2,468,506</b>	<b>2,253,588</b>
<b>TOTAL LIABILITIES, INSURANCE OPERATIONS' SURPLUS AND SHAREHOLDERS' EQUITY</b>		<b>11,569,112</b>	<b>9,938,506</b>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.



**THE COMPANY FOR COOPERATIVE INSURANCE**

(A SAUDI JOINT STOCK COMPANY)

**INTERIM STATEMENT OF INCOME - INSURANCE OPERATIONS AND ACCUMULATED SURPLUS**

	Three months ended December 31, 2015 (Unaudited)	Three months ended December 31, 2014 (Unaudited)	Year ended December 31, 2015 (Unaudited)	Year ended December 31, 2014 (Audited)
SR '000				
<b>REVENUES</b>				
Gross premiums written	2,764,357	1,862,028	7,545,268	6,207,609
Less: Reinsurance ceded	(357,118)	(119,461)	(1,123,816)	(914,602)
Net premiums written	2,407,239	1,742,567	6,421,452	5,293,007
Changes in unearned premiums	(817,234)	(480,838)	(756,627)	(488,899)
Net premiums earned	1,590,005	1,261,729	5,664,825	4,804,108
Reinsurance commissions	32,477	28,956	93,623	107,171
Other income, net	9,024	6,856	45,886	50,286
<b>Total revenues</b>	<b>1,631,506</b>	<b>1,297,541</b>	<b>5,804,334</b>	<b>4,961,565</b>
<b>COSTS AND EXPENSES</b>				
Gross claims paid	1,506,089	1,040,177	4,999,478	4,574,831
Less: Reinsurance share	(308,236)	(165,733)	(747,772)	(983,392)
Net claims paid	1,197,853	874,444	4,251,706	3,591,439
Changes in outstanding claims and reserves	(64,040)	(6,141)	(107,796)	68,013
Net claims incurred	1,133,813	868,303	4,143,910	3,659,452
Policy acquisition costs	121,963	92,702	436,588	381,813
Excess of loss expenses	4,489	12,622	24,427	24,773
Changes in Takaful Reserves	(2,600)	1,765	(2,873)	2,696
Other underwriting expenses	46,914	34,668	134,597	85,257
Manafeth Insurance share (note 10)	14,008	-	48,068	-
Operating and selling expenses	157,479	102,886	474,165	324,846
Other general and administrative expenses	36,821	27,021	83,201	56,909
<b>Total costs and expenses</b>	<b>1,512,887</b>	<b>1,139,967</b>	<b>5,342,083</b>	<b>4,535,746</b>
<b>Operating surplus</b>	<b>118,619</b>	<b>157,574</b>	<b>462,251</b>	<b>425,819</b>
Investment income, net	11,844	267	88,251	43,131
Impairment of available for sale investments (note 4(i))	(17,696)	-	(17,696)	-
<b>Surplus from Insurance operations</b>	<b>112,767</b>	<b>157,841</b>	<b>532,806</b>	<b>468,950</b>
Shareholders' appropriation from surplus	(101,490)	(142,057)	(479,525)	(422,055)
<b>Surplus from Insurance operations after Shareholders' appropriation</b>	<b>11,277</b>	<b>15,784</b>	<b>53,281</b>	<b>46,895</b>
Accumulated surplus, beginning of the period / year	42,004	31,111	-	-
Distribution of surplus	-	-	-	(46,895)
<b>ACCUMULATED SURPLUS, END OF THE PERIOD / YEAR</b>	<b>53,281</b>	<b>46,895</b>	<b>53,281</b>	<b>-</b>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - INSURANCE OPERATIONS**

	Three months ended December 31, 2015 (Unaudited)	Three months ended December 31, 2014 (Unaudited)	Year ended December 31, 2015 (Unaudited)	Year ended December 31, 2014 (Audited)
	SR '000			
Surplus from Insurance operations after Shareholders' appropriation	11,277	15,784	53,281	46,895
<b>Other comprehensive income:</b>				
To be reclassified subsequently to profit or loss when specific conditions are met:				
Net changes in fair value of available for sale investments	(9,095)	(85,999)	(108,303)	(73,217)
<b>Total comprehensive income for the period / year</b>	<b>2,182</b>	<b>(70,215)</b>	<b>(55,022)</b>	<b>(26,322)</b>

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**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF COMPREHENSIVE INCOME - SHAREHOLDERS**

	Three months ended December 31, 2015 (Unaudited)	Three months ended December 31, 2014 (Unaudited)	Year ended December 31, 2015 (Unaudited)	Year ended December 31, 2014 (Audited)
Notes	SR '000			
Appropriation of surplus from				
Insurance operations	101,490	142,057	479,525	422,055
Investment income, net	34,552	17,577	199,830	180,412
Impairment of available for sale investments	4(ii) (36,032)	-	(36,032)	-
Other income / expenses, net	(550)	1	(1,020)	(201)
<b>Income from operations before zakat</b>	<b>99,460</b>	<b>159,635</b>	<b>642,303</b>	<b>602,266</b>
Zakat	(10,084)	(10,262)	(43,875)	(42,150)
<b>Net income for the period / year</b>	<b>89,376</b>	<b>149,373</b>	<b>598,428</b>	<b>560,116</b>
<b>Other comprehensive income:</b>				
To be reclassified subsequently to profit or loss when specific conditions are met:				
Changes in fair value of available for sale investments	(35,273)	(104,296)	(220,735)	(124,309)
<b>Comprehensive income for the period / year</b>	<b>54,103</b>	<b>45,077</b>	<b>377,693</b>	<b>435,807</b>
<b>Earnings per share:</b>				
Basic and diluted earnings per share (in SR)	0.89	1.49	5.98	5.60
Weighted average number of shares in issue	6 & 14 100,000,000	100,000,000	100,000,000	100,000,000

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

	Share capital	Legal reserve	Fair value reserve for available for sale investments	Retained earnings	Total
	SR'000				
<b>Audited</b>					
Balance at January 1, 2014	1,000,000	651,756	288,183	(299,371)	1,640,568
<b>Comprehensive income:</b>					
Net income for the year	-	-	-	560,116	560,116
Changes in fair value of available for sale investments	-	-	(124,309)	-	(124,309)
Total comprehensive income	-	-	(124,309)	560,116	435,807
Transfer to the legal reserve	-	112,023	-	(112,023)	-
Balance at December 31, 2014	1,000,000	763,779	163,874	148,722	2,076,375
<b>Unaudited</b>					
Balance at January 1, 2015	1,000,000	763,779	163,874	148,722	2,076,375
Dividend distribution	-	-	-	(145,000)	(145,000)
<b>Comprehensive income:</b>					
Net income for the year	-	-	-	598,428	598,428
Changes in fair value of available for sale investments	-	-	(220,735)	-	(220,735)
Total comprehensive income	-	-	(220,735)	598,428	377,693
Transfer to the legal reserve	-	119,686	-	(119,686)	-
<b>Balance at December 31, 2015</b>	<b>1,000,000</b>	<b>883,465</b>	<b>(56,861)</b>	<b>482,464</b>	<b>2,309,068</b>

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CASH FLOWS - INSURANCE OPERATIONS**

	<b>Year ended December 31, 2015 (Unaudited)</b>	<b>Year ended December 31, 2014 (Audited)</b>
	<b>SR '000</b>	
<b>Operating activities:</b>		
Surplus from Insurance operations after Shareholders' appropriation	<b>53,281</b>	46,895
Adjustments to reconcile surplus from Insurance operations to net cash from operating activities:		
Shareholders' appropriation from surplus	<b>479,525</b>	422,055
Depreciation	<b>13,938</b>	9,861
Gain on disposal of property and equipment	<b>-</b>	(24,016)
Impairment of available for sale investments	<b>17,696</b>	-
Gain on sale of available for sale investments	<b>(106,596)</b>	(39,447)
Share of profit from investments in associates, net	<b>(4,044)</b>	(4,181)
Operating surplus before changes in operating assets and liabilities	<b>453,800</b>	411,167
Changes in operating assets and liabilities:		
Prepaid expenses and others assets	<b>(98,574)</b>	(113,789)
Deferred policy acquisition costs	<b>(35,611)</b>	(9,953)
Reinsurers' share of outstanding claims	<b>(295,662)</b>	499,639
Reinsurers' share of unearned premiums	<b>(186,034)</b>	45,388
Receivables, net	<b>(414,466)</b>	(18,615)
Reinsurers' balances payable	<b>188,679</b>	(10,922)
Unearned premium income	<b>942,661</b>	443,511
Unearned commission income	<b>9,470</b>	(9,143)
Gross outstanding claims and reserves	<b>187,866</b>	(431,626)
Reserve for discontinued operations	<b>-</b>	(199)
Reserve for takaful activities	<b>(2,873)</b>	2,698
Accrued expenses and other liabilities	<b>98,581</b>	7,420
Due to Shareholders	<b>(387,060)</b>	21,431
Net cash from operating activities	<b>460,777</b>	837,007
<b>Investing activities:</b>		
Proceeds from sale of investments	<b>3,414,683</b>	1,074,036
Purchase of investments	<b>(3,777,842)</b>	(2,008,682)
Purchase of property and equipment	<b>(36,300)</b>	(55,061)
Proceeds from disposal of property and equipment	<b>-</b>	61,172
Net cash used in investing activities	<b>(399,459)</b>	(928,535)
<b>Net change in cash and cash equivalents</b>	<b>61,318</b>	(91,528)
Cash and cash equivalents, beginning of the year	<b>700,550</b>	792,078
<b>Cash and cash equivalents, end of the year</b>	<b>761,868</b>	700,550
<b>Non-cash supplemental information:</b>		
Changes in fair value of available for sale investments	<b>(108,303)</b>	(73,217)

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**INTERIM STATEMENT OF CASH FLOWS - SHAREHOLDERS**

	Year ended December 31, 2015 (Unaudited)	Year ended December 31, 2014 (Audited)
	SR '000	
<b>Operating activities:</b>		
Net income for the year before zakat	642,303	602,266
Adjustments to reconcile net income before zakat to net cash from operating activities:		
Appropriation of surplus from Insurance operations	(479,525)	(422,055)
Impairment of available for sale investments	36,032	-
Gain on sale of available for sale investments	(103,762)	(167,469)
Share of profit from investments in associates, net	(12,981)	(19,523)
Operating profit / (loss) before changes in operating assets and liabilities	82,067	(6,781)
Changes in operating assets and liabilities:		
Accrued investment income	(9,352)	(461)
Due from Insurance operations	387,060	(21,431)
Accrued expenses and other liabilities	255	307
Zakat paid	(16,395)	(15,923)
Net cash from / (used in) operating activities	443,635	(44,289)
<b>Investing activities:</b>		
Proceeds from sale of/and matured investments	2,460,496	531,123
Purchase of investments	(2,729,910)	(668,608)
Dividends received from investment in associates	12,422	3,728
Net cash used in investing activities	(256,992)	(133,757)
<b>Financing activities:</b>		
Dividends paid	(144,371)	(137)
Net cash used in financing activities	(144,371)	(137)
<b>Net change in cash and cash equivalents</b>	<b>42,272</b>	<b>(178,183)</b>
Cash and cash equivalents, beginning of the year	20,583	198,766
<b>Cash and cash equivalents, end of the year</b>	<b>62,855</b>	<b>20,583</b>
<b>Non-cash supplemental information:</b>		
Changes in fair value of available for sale investments	(220,735)	(124,309)

The accompanying notes 1 to 15 form an integral part of these interim condensed financial statements.

## **THE COMPANY FOR COOPERATIVE INSURANCE**

(A SAUDI JOINT STOCK COMPANY)

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

**DECEMBER 31, 2015**

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#### **1. GENERAL**

The Company for Cooperative Insurance (the "Company") is a Saudi Joint Stock Company established in Riyadh, Kingdom of Saudi Arabia by Royal Decree Number M/5 and incorporated on January 18, 1986, corresponding to Jumad Awal 8, 1406H, under Commercial Registration No. 1010061695. The Company's Head Office is located on Thumamah Road (at Takhassusi) ArRabi District, P.O. Box 86959, Riyadh 11632, Kingdom of Saudi Arabia.

The purpose of the Company is to transact cooperative insurance operations and all related activities including reinsurance and agency activities. Its principal lines of business include medical, motor, marine, fire, engineering, energy, aviation, takaful and casualty insurance.

On July 31, 2003, corresponding to Jumad Thani 2, 1424H, the Law on the Supervision of Cooperative Insurance Companies ("Insurance Law") was promulgated by Royal Decree Number (M/32). On December 1, 2004, corresponding to Shawwal 18, 1425H, the Saudi Arabian Monetary Agency ("SAMA"), as the principal agency responsible for the application and administration of the Insurance Law and its Implementing Regulations, granted the Company a license to transact insurance activities in the Kingdom of Saudi Arabia.

The Company conducts the business and advances funds to the insurance operations as required. On January 20, 2004, the Company amended its Articles of Association, giving authority to the Board of Directors to determine the disposition of the surplus from insurance operations.

On March 20, 2004, the Board of Directors approved the distribution of the surplus from insurance operations in accordance with the Implementing Regulations issued by SAMA, whereby the Shareholders of the Company are to receive 90% of the annual surplus from insurance operations and the Policyholders are to receive the remaining 10%. Any deficit arising on insurance operations is transferred to the Shareholders' operations in full.

#### **2. BASIS OF PREPARATION**

##### **(a) Basis of presentation**

The interim condensed financial statements for the three month period and year ended December 31, 2015 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2014.

The interim condensed financial statements are prepared under the going concern basis and the historical cost convention, except for the measurement at fair value of available for sale investments.

As required by SAMA Implementing Regulations, the Company maintains separate accounts for Insurance and Shareholders' operations. Income and expenses clearly attributable to either activity are recorded in the respective accounts. The basis of allocation of expenses from joint operations is determined by management and the Board of Directors.

These interim condensed financial statements have been presented in Saudi Arabian Riyals (SR), being the functional currency of the Company. All financial information presented has been rounded off to the nearest thousand (SR '000).

**THE COMPANY FOR COOPERATIVE INSURANCE**  
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**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2015**

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**2. BASIS OF PREPARATION (continued)**

**(a) Basis of presentation (continued)**

In management's opinion, these interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented.

**(b) Critical accounting judgments, estimates and assumptions**

The preparation of the interim condensed financial statements requires the use of estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates and judgments are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial reporting period. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimate and judgments used by management in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2014. Following are the accounting judgments and estimates that were critical in preparation of these interim condensed financial statements:

**Estimation of insurance contract reserves:**

Following are the critical areas of estimation and judgments for which the Company acquires the services of an independent actuary to determine such reserves.

*i) Incurred but not reported claims ("IBNR")*

There are several sources of uncertainty that need to be considered in the estimate of the liability that the Company will ultimately pay for such claims. The claims reserves are sensitive to assumptions made about the number of months used to average the completion factors and the claims trend.

*ii) Premium deficiency reserve ("PDR")*

Estimation of the premium deficiency reserve for medical business is highly sensitive to a number of assumptions as to the future events and conditions. It is based on an expected loss ratio for the unexpired portion of the risks for written policies. To arrive at the estimate of the expected loss ratio, the actuary considers the claims and premiums relationship which is expected to apply on a month to month basis.



**THE COMPANY FOR COOPERATIVE INSURANCE**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
**(continued)**  
**DECEMBER 31, 2015**

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**2. BASIS OF PREPARATION (continued)**

**(c) Significant accounting policies**

The accounting and risk management policies adopted in the preparation of these condensed interim financial statements are consistent with the Company's audited financial statements for the year ended December 31, 2014, except for the adoption of the following amendments to existing standards mentioned below which had no financial impact on the interim condensed financial statements of the Company:

*Amendments to existing standards*

- Amendments to IFRS 10, IFRS 12 and IAS 27 that provides consolidation relief for investments funds applicable from 1 January 2014. This mandatory consolidation relief provides that a qualifying investment entity is required to account for investments in controlled entities as well as investments in associates and joint ventures at fair value through profit or loss, provided it fulfils certain conditions, with an exception being that subsidiaries that are considered an extension of the investment entity's investing activities.
- IAS 32 amendment applicable from 1 January 2014 clarifies that a) an entity currently has a legally enforceable right to off-set if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and processes receivables and payables in a single settlement process or cycle.
- IAS 36 amendment applicable retrospectively from 1 January 2014 addresses the disclosure of information about the recoverable amount of impaired assets under the amendments, recoverable amount of every cash generating unit to which goodwill or indefinite-lived intangible assets have been allocated is required to be disclosed only when an impairment loss has been recognized or reversed.
- IFRIC Interpretation 21 Levies (IFRIC 21)  
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached.
- IAS 39 amendment applicable from 1 January 2014 added a limited exception to IAS 39, to provide relief from discontinuing an existing hedging relationship when a novation that was not contemplated in the original hedging documentation meets specified criteria.

*Standards issued but not yet effective*

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below:



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**2. BASIS OF PREPARATION (continued)**

**(c) Significant accounting policies (continued)**

*Standards issued but not yet effective (continued)*

- IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments:

Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

The Company has chosen not to early adopt the amendments and revisions to the International Financial Reporting Standards which have been published and are mandatory for compliance for the Company with effect from future dates.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.

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**2. BASIS OF PREPARATION (continued)**

**(c) Significant accounting policies (continued)**

*Annual improvements 2010-2012 Cycle (continued)*

**IAS 24 Related Party Disclosures**

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

*Annual improvements 2011-2013 Cycle*

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Company. They include:

**IFRS 13 Fair Value Measurement**

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

**Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used a revenue-based method to depreciate its non-current assets.

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**2. BASIS OF PREPARATION (continued)**

**(d) Segmental reporting**

A segment is a distinguishable component of the Company that is engaged in providing products or services (a business segment), which is subject to risk and rewards that are different from those of other segments. For management purposes, the Company is organized into business units based on their products and services and has four reportable segments as follows:

- Medical - coverage for health insurance.
- Motor insurance.
- Property and Casualty - coverage for property, engineering, marine, aviation, energy and general accidents insurance.
- Manafeth – third party liability insurance for foreign vehicles and the profit of this segment is shared with other insurance companies.

Operating segments do not include Shareholders' operations of the Company.

Segment performance is evaluated based on income or loss which, in certain respects, is measured differently from income or loss in the interim condensed financial statements.

No inter-segment transactions occurred during the period. Segment income, expense and results will then include those transfers between business segments which will then be eliminated at the level of the interim condensed financial statements of the Company.

**(e) Seasonality of operations**

There are no seasonal changes that may affect insurance operations.

**3. RECEIVABLES, NET**

Receivables of Insurance operations are comprised of balances due from the following:

	<b>December 31, 2015 SR'000 (Unaudited)</b>	<b>December 31, 2014 SR'000 (Audited)</b>
Policyholders	<b>1,451,973</b>	1,167,451
Brokers and Agents	<b>293,446</b>	186,166
Related parties (note 11)	<b>145,601</b>	106,603
	<b>1,891,020</b>	1,460,220
Receivables from reinsurers	<b>202,269</b>	158,459
Administrative Service Plan	<b>18,436</b>	12,817
	<b>2,111,725</b>	1,631,496
Provision for doubtful receivables	<b>(168,146)</b>	(102,383)
Receivables, net	<b>1,943,579</b>	1,529,113

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**4. AVAILABLE FOR SALE INVESTMENTS**

**i) Insurance operations:**

Available for sale investments of the insurance operations comprise the following:

	<b>December 31, 2015 SR'000 (Unaudited)</b>	<b>December 31, 2014 SR'000 (Audited)</b>
Local / regional money market and fixed income investments	2,251,025	2,295,303
Local / regional equity and equity funds	582,916	476,761
Foreign money market and fixed income investments	378,815	-
Foreign equities and equity funds	-	96,936
<b>Total</b>	<b>3,212,756</b>	<b>2,869,000</b>

Impairment in available for sale investments during 2015 amounted to SR 17,696 million.

**ii) Shareholders:**

Shareholders' available for sale investments comprise the following:

	<b>December 31, 2015 SR'000 (Unaudited)</b>	<b>December 31, 2014 SR'000 (Audited)</b>
Local / regional money market and fixed income investments	1,875,194	1,142,237
Local / regional equity and equity funds	246,636	290,130
Foreign money market and fixed income investments	-	311,823
Foreign equities and equity funds	42,134	303,365
<b>Total</b>	<b>2,163,964</b>	<b>2,047,555</b>

Impairment in available for sale investments during 2015 amounted to SR 36,032 million.

**5. OUTSTANDING CLAIMS AND RESERVES, NET**

Outstanding claims and reserves, net comprise the following:

	<b>December 31, 2015 (SR'000) (Unaudited)</b>	<b>December 31, 2014 (SR'000) (Audited)</b>
Gross outstanding claims	1,860,957	1,642,524
Less: Realizable value of salvage and subrogation	(88,643)	(65,781)
Add: Incurred but not reported claims	1,035,763	1,043,468
Add: Premium deficiency reserve	42,290	42,290
Outstanding claims and reserves	2,850,367	2,662,501
Less: Reinsurers' share of outstanding claims	(1,495,909)	(1,200,247)
<b>Net outstanding claims and reserves</b>	<b>1,354,458</b>	<b>1,462,254</b>

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**5. OUTSTANDING CLAIMS AND RESERVES, NET (continued)**

At December 31, 2015, the Company maintained a provision in respect of premium deficiency for medical business of SR 42 million. The Company created this provision in 2014 as it believes that the unearned premiums for medical business will not be sufficient to provide for the expected losses and expenses attributable to the unexpired periods of the policies in force at the statement of financial position date.

**6. SHARE CAPITAL**

The authorized, issued and paid up capital of the Company was SR 1 billion at December 31, 2015 and December 31, 2014, consisting of 100 million shares of SR 10 each.

**7. CONTINGENT LIABILITIES**

As at December 31, 2015, the Company was contingently liable for letters of credit and guarantees, issued on its behalf by the banks, amounting to SR 163 million (December 31, 2014: SR 160 million) occurring in the normal course of business.

**8. STATUTORY DEPOSIT**

In compliance with Article 58 of the Insurance Implementing Regulations of SAMA, the Company has deposited 10 percent of its share capital, amounting to SR 100 million, in a bank designated by SAMA. The statutory deposit is maintained with the National Commercial Bank and can be withdrawn only with the consent of SAMA.

**9. LEGAL RESERVE**

In accordance with the Articles of Association of the Company and in compliance with Article 70(2)(g) of the Insurance Implementing Regulations issued by SAMA, the Company is required to allocate 20% of its net income for the year to the legal reserve until it equals the value of share capital. This transfer is only made at the year end. The legal reserve is not available for distribution to Shareholders until liquidation of the Company.

**10. MANAFETH SHARED AGREEMENT**

The Company has signed Manafeth shared agreement effective from 1 January 2015 with 25 insurance companies on the 13 January 2015 with regards to Manafeth third party liability motor insurance.

The main terms of the above mentioned agreement are the following:

- The Company obtains 15% management fee of the net result of the Manafeth portfolio;
- The Company obtains 4.25% of Manafeth's gross premiums written to cover the related indirect expenses; and
- The net result of the Manafeth portfolio after deducting the two above mentioned items is due to be shared equally by the Company and its related insurers.



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**11. RELATED PARTY TRANSACTIONS AND BALANCES**

The following are the details of the major related party transactions during the year and the related balances:

	<b>Transactions for the year ended</b>		<b>Balance Receivable / (Payable) as at</b>	
	<b>December 31, 2015</b>	<b>December 31, 2014</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b>(SR'000)</b>	<b>(SR'000)</b>	<b>(SR'000)</b>	<b>(SR'000)</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b><u>Major shareholders</u></b>				
Amount of claims to hospitals	<b>29,123</b>	16,147	-	(2,877)
Medical insurance premium	<b>154,837</b>	144,636	<b>123,690</b>	105,626
Rent expenses	<b>1,191</b>	5,314	-	-
<b><u>Associates</u></b>				
Insurance premium	<b>22,642</b>	6,092	<b>21,911</b>	977
Najm Fees	<b>41,291</b>	21,958	<b>4,252</b>	(4,778)
United Insurance Company fees and claims, net	<b>8,490</b>	-	<b>3,663</b>	-

In accordance with the Company's Articles of Association, the Board of Directors is entitled each year to remuneration of up to 10% of the remaining profit from Shareholders' operations, as defined, based on a decision by the General Assembly.

The compensation of key management personnel during the year is as follows:

	<b>December 31, 2015</b>	<b>December 31, 2014</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>(SR'000)</b>	<b>(SR'000)</b>
Salaries and other allowances	<b>7,286</b>	6,147
End of service indemnities	<b>1,843</b>	2,229

**12. FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for that asset or liability, or in its absence, the most advantageous market to which the Company has access at that date. Consequently, differences can arise between the carrying values and fair value estimates. The Company's financial assets consist of cash and cash equivalents, receivables, reinsurers' share of outstanding claims, other assets, available for sale investments, statutory deposits and accrued income. Its financial liabilities consist of outstanding claims, reinsurance balances payable and claims payable, accrued expenses and other liabilities.

The fair values of financial assets that are traded in an active market are based on quoted market prices or dealer price quotations. For all other financial instruments, the fair value is based on other valuation techniques.



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**12. FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

**Determination of fair value and fair value hierarchy**

The Company uses the following hierarchy method for determining and disclosing the fair value of financial instruments at the reporting period end.

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses the financial instruments measured at fair value at the end of the reporting period December 31, 2015 and December 31, 2014 by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position:

	(SR'000)			
	Level 1	Level 2	Level 3	Total
<b>December 31, 2015 (Unaudited)</b>				
Available for sale financial assets				
- Insurance operations	1,655,211	-	1,557,545	3,212,756
- Shareholders	1,396,448	-	767,516	2,163,964
<b>Total</b>	<b>3,051,659</b>	<b>-</b>	<b>2,325,061</b>	<b>5,376,720</b>
<b>December 31, 2014 (Audited)</b>				
Available for sale financial assets				
- Insurance operations	1,747,130	-	1,121,870	2,869,000
- Shareholders	1,638,000	-	409,555	2,047,555
<b>Total</b>	<b>3,385,130</b>	<b>-</b>	<b>1,531,425</b>	<b>4,916,555</b>

There were no transfers between the levels of fair value hierarchies during the period.

Level 3 investments comprise investment in Private Equity Funds and debt instruments. The valuation technique used to measure Private Equity Funds is NAV (net assets value). The fair value of Private Equity Funds computed is based on the latest reported net assets value as at the financial position date. Further, the debt instruments are measured at the fair value based on the discounted cash flow technique, which, as per the management, is the best estimate of the exit price i.e. fair value. Management tests all such investments for impairment annually.

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(continued)

**DECEMBER 31, 2015****OPERATING SEGMENTS**

Consistent with the Company's internal reporting process, operating segments have been approved by management in respect of the Company's activities, assets and liabilities. Information disclosed in this note is based on current reporting to the chief operating decision maker.

Segment assets do not include Insurance operations' property and equipment, prepayments and other assets, receivables and cash and cash equivalents. Accordingly, they are included in unallocated assets. Segment liabilities do not include due to Shareholders' operations, reinsurance balances payable, accrued expenses and other liabilities. Accordingly, they are included in unallocated liabilities.

These unallocated assets and liabilities (including the related charges for provision for doubtful debts on premiums receivable and depreciation on the property and equipment) are not reported to the chief operating decision maker under related segments and are monitored on a centralized basis.

	For the three month period ended December 31, 2015 (Unaudited)				
Operating Segments	Medical	Motor	Manafeth	Property & casualty	Total
	SR' 000				
Gross premiums written:					
Compulsory	1,626,662	-	-	-	-
Non – compulsory	400,449	-	-	-	-
Total gross premiums written	2,027,111	398,760	46,657	291,829	2,764,357
Net premiums written	1,932,469	398,760	46,657	29,353	2,407,239
Net premiums earned	1,198,627	309,408	46,417	35,553	1,590,005
Reinsurance commissions	343	6	-	32,128	32,477
Net claims incurred	(880,446)	(238,162)	(17,254)	2,049	(1,133,813)
Policy acquisition costs	(59,813)	(41,565)	(6,422)	(14,163)	(121,963)
Excess of loss expenses	-	(2,160)	(510)	(1,819)	(4,489)
Changes in Takaful Reserve	2,600	-	-	-	2,600
Other underwriting expenses	(39,706)	(2,552)	(2,992)	(1,664)	(46,914)
General, administrative, operating and selling expenses	(129,384)	(40,552)	(4,671)	(19,693)	(194,300)
<b>Profit / (loss) from Insurance Operations</b>	<b>92,221</b>	<b>(15,577)</b>	<b>14,568</b>	<b>32,391</b>	<b>123,603</b>
Investment losses					(5,852)
Other income, net					9,024
Manafeth Insurance share (Note 10)					(14,008)
<b>Surplus from Insurance Operations</b>					<b>112,767</b>

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**13. OPERATING SEGMENTS (continued)**

Operating Segments	For the three months period ended December 31, 2014 (Unaudited)			
	Medical	Motor*	Property & casualty	Total
	SR' 000			
Gross premiums written:				
Compulsory	1,098,939	-	-	-
Non- compulsory	360,620	-	-	-
Total gross premiums written	1,459,559	258,977	143,492	1,862,028
Net premiums written	1,455,060	258,999	28,508	1,742,567
Net premiums earned	964,466	261,139	36,124	1,261,729
Reinsurance commissions	423	12	28,521	28,956
Net claims incurred	(662,034)	(179,747)	(26,522)	(868,303)
Policy acquisition costs	(45,126)	(35,894)	(11,682)	(92,702)
Excess of loss expenses	(2,293)	(6,130)	(4,199)	(12,622)
Changes in Takaful Reserve	(1,765)	-	-	(1,765)
Other underwriting expenses	(26,421)	(2,648)	(5,599)	(34,668)
General, administrative, operating and selling expenses	(60,355)	(43,949)	(25,603)	(129,907)
<b>Profit / (loss) from Insurance Operations</b>	<b>166,895</b>	<b>(7,217)</b>	<b>(8,960)</b>	<b>150,718</b>
Investment gains				267
Other income, net				6,856
<b>Surplus from Insurance Operations</b>				<b>157,841</b>

\*Manafeth result is included in the motor operating segment. It is not presented separately as shown in 2015 operating segments as it totally belong to the company.

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**13. OPERATING SEGMENTS (continued)**

Operating Segments	For the Year ended December 31, 2015				
	(Unaudited)				
	Medical	Motor	Manafeth	Property & casualty	Total
	SR' 000				
Gross premiums written:					
Compulsory	4,111,028	-	-	-	-
Non - compulsory	801,778	-	-	-	-
Total gross premiums written	<u>4,912,806</u>	<u>1,294,864</u>	<u>195,352</u>	<u>1,142,246</u>	<u>7,545,268</u>
Net premiums written	<u>4,798,758</u>	<u>1,294,864</u>	<u>195,352</u>	<u>132,478</u>	<u>6,421,452</u>
Net premiums earned	4,287,836	1,080,815	157,550	138,624	5,664,825
Reinsurance commissions	194	(4,391)	-	97,820	93,623
Net claims incurred	(3,313,344)	(751,661)	(53,818)	(25,087)	(4,143,910)
Policy acquisition costs	(225,775)	(141,696)	(24,129)	(44,988)	(436,588)
Excess of loss expenses	-	(12,612)	(2,330)	(9,485)	(24,427)
Changes in Takaful Reserve	2,873	-	-	-	2,873
Other underwriting expenses	(92,206)	(13,782)	(9,986)	(18,623)	(134,597)
General, administrative, operating and selling expenses	<u>(330,059)</u>	<u>(124,521)</u>	<u>(17,422)</u>	<u>(85,364)</u>	<u>(557,366)</u>
<b>Profit from Insurance Operations</b>	<u>329,519</u>	<u>32,152</u>	<u>49,865</u>	<u>52,897</u>	<u>464,433</u>
Investment gains					70,555
Other income, net					45,886
Manafeth Insurance share (Note 10)					(48,068)
<b>Surplus from Insurance</b>					<u>532,806</u>

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**13. OPERATING SEGMENTS (continued)**

Operating Segments	For the Year ended December 31, 2014			
	(Audited)			
	Medical	Motor*	Property & casualty	Total
	SR' 000			
Gross premiums written:				
Compulsory	3,522,741	-	-	-
Non- compulsory	632,330	-	-	-
Total gross premiums written	4,155,071	1,043,193	1,009,345	6,207,609
Net premiums written	4,112,144	1,043,160	137,703	5,293,007
Net premiums earned	3,640,605	1,021,512	141,991	4,804,108
Reinsurance commissions	1,638	2,361	103,172	107,171
Net claims incurred	(2,931,207)	(663,372)	(64,873)	(3,659,452)
Policy acquisition costs	(199,022)	(141,259)	(41,532)	(381,813)
Excess of loss expenses	(2,293)	(13,283)	(9,197)	(24,773)
Changes in Takaful Reserve	(2,696)	-	-	(2,696)
Other underwriting expenses	(67,941)	(6,750)	(10,566)	(85,257)
General, administrative, operating and selling expenses	(179,278)	(121,188)	(81,289)	(381,755)
<b>Profit from Insurance Operations</b>	<b>259,806</b>	<b>78,021</b>	<b>37,706</b>	<b>375,533</b>
Investment gains				43,131
Other income, net				50,286
<b>Surplus from Insurance Operations</b>				<b>468,950</b>

\*Manafeth result is included in the motor operating segment. It is not presented separately as shown in 2015 operating segments as it totally belong to the company.

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**13. OPERATING SEGMENTS (continued)**

Operating Segments	As at December 31, 2015 (Unaudited)				
	Medical	Motor	Manafeth	Property & casualty	Total
				SR' 000	
<b>Assets - Insurance operations</b>					
Reinsurer's share of unearned premium	89,377	11,104	225	529,268	629,974
Reinsurer's share of outstanding claims, net	224	16,082	-	1,479,603	1,495,909
Deferred policy acquisition costs	120,725	64,964	1,600	21,955	209,244
Investments					3,236,219
Receivables, net					1,943,579
Unallocated assets					1,585,681
<b>Total assets</b>					<b>9,100,606</b>
<b>Liabilities and surplus - Insurance operations</b>					
Unearned premium income	2,860,161	695,357	38,027	640,016	4,233,561
Gross outstanding claims and reserves	906,262	278,952	24,542	1,640,611	2,850,367
Unearned commission income	6,241	24	-	44,759	51,024
Reserve for Takaful activities					13,467
Unallocated liabilities and surplus					1,952,187
<b>Total liabilities and surplus</b>					<b>9,100,606</b>

  

Operating Segments	As at December 31, 2014 (Audited)			
	Medical	Motor	Property & casualty	Total
			SR' 000	
<b>Assets - Insurance operations</b>				
Reinsurer's share of unearned premiums	8,066	3,854	432,020	443,940
Reinsurer's share of outstanding claims, net	246	27,201	1,172,800	1,200,247
Deferred policy acquisition costs	107,231	47,880	18,522	173,633
Investments				2,888,419
Receivables, net				1,529,113
Unallocated assets				1,449,566
<b>Total assets</b>				<b>7,684,918</b>
<b>Liabilities and surplus - Insurance operations</b>				
Unearned premium income	2,267,928	474,058	548,914	3,290,900
Gross outstanding claims and reserves	1,077,703	236,956	1,347,842	2,662,501
Unearned commission income	4,412	64	37,078	41,554
Reserve for Takaful activities	16,340	-	-	16,340
Unallocated liabilities and surplus				1,673,623
<b>Total liabilities and surplus</b>				<b>7,684,918</b>



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**14. EARNINGS PER SHARE**

Basic and diluted earnings per share have been calculated by dividing the net income for the period / year ended December 31, 2015 and December 31, 2014 by 100 million shares.

**15. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements have been approved by the Audit Committee on behalf of the Board of Directors, on Rabi-ul-Thani 7, 1437H, corresponding to January 17, 2016G.